

# Roland Berger

---

The Voice of Clients – Who are the Clients of  
Insurance Companies?

## Work Project

26<sup>th</sup> of May  
2014



**Name:** Matilde Maria Empis de Vasconcelos Guimarães

**Number:** 517 (MSc Finance)

## Contents

The Business Project .....	2
Company .....	2
Market Overview .....	2
Current Client Situation .....	2
The Business Project Challenge .....	3
Summary of Conclusions .....	3
Further Development.....	4
Original Approach .....	4
Main Limitations.....	5
New Approach .....	5
Reflection .....	10
Previous Knowledge Applied .....	10
New Knowledge Applied.....	10
Personal Experience.....	11
Benefit of Hindsight.....	11
Appendix .....	12
References .....	17

## **The Business Project**

### **Company**

Roland Berger Strategy Consultants was founded in 1967 and it is nowadays one of the world's leading strategy consulting companies by having around 2,700 employees working in 51 offices in 36 countries worldwide. The company with which the group performed the analysis was Roland Berger Strategy Consultants, Hungary.

Roland Berger Hungary opened in 1996 in Budapest and has currently more than 15 employees. It had a dynamic and successful development and it has quickly established itself as one of the leading strategy consulting companies in Hungary. Roland Berger Hungary has as clients the top 200 companies in the nation (Roland Berger, 2014).

The aim of Roland Berger is to develop customized, creative strategies together with the clients. It provides support in the implementation phase as well, which the company thinks is particularly important, since this is how it creates real impact for the clients. The final stage at Roland Berger is to have an approach based on the entrepreneurial character and individuality of the consultants, therefore their slogan is "It's character that creates impact" (Roland Berger, 2014).

Roland Berger has several business areas where it operates. The scope of this project was the insurance department. The aim of the project was to develop a market research on the Hungarian insurance market.

### **Market Overview**

Insurance as an industry is currently undergoing significant changes, resulting in a need for better understanding of their clients. This change is driven by the regulatory as well as social consequences of the financial crisis of 2008, which all in all, results in high pressure on the industry profitability. As a logical consequence, insurers are seeking new opportunities to lift their profitability, and a better understanding of their clients is one of the main tools.

### **Current Client Situation**

The key objective of this research is to deliver to insurers and the insurance industry state-of-the-art client insights, thus helping them in the transition of their product focused business to a client-focused one.

### The Business Project Challenge

As the market was needed to be understood, the challenge of this project was to explain the insurance market and where insurers could find profitability and how they could adapt to the clients' needs.

The project approach had five phases starting with the market surveying. After completing the survey in the Hungarian market, a database could be created. With the necessary information collected through the survey, the group performed a statistics based segmentation analysis which allowed the creation of five client segments.

The fourth step consisted in modeling the behavior and psychometric profiling of the individual clients. Through this behavior modeling, the group was able to name the segments and make a pattern of their behavior.

The ultimate goal and phase was to develop the go-to segment strategy, by defining the most interesting segment for insurance companies and from there develop a value proposition and an operating model.

### Summary of Conclusions

As previously stated, the aim of the project was to advise insurance companies how to target the clients and how to adapt to the clients' needs. Given the fact that there are different segments with different behaviors, each insurance company needs to understand which client profile it can better target and better fits its business model.

However, through the analysis of the market size, the behavior and the penetration of the segments, the final recommendation was to target the Value creators segment, which is the most affluent segment (Refer to *Annex I-III*).

This specific group of clients looks for full coverage of life and non-life. Additionally they rarely perform price comparison, which demonstrates that they do not focus on price, making it possible for insurance companies to make higher profits. On the other hand, the Value creators account for a small percentage of the market, which makes them hard to find, therefore a clear value proposition and operating model were well-defined as part of our proposal.

## Further Development

### Original Approach

In the last step of the analysis the group recommended that insurance companies should target the Value creator segment. For the purpose of having a clearer comprehension of the original approach of the project it is necessary to have a brief overview on the five segments.

The first segment is the Cheapskates who are the most price-sensitive, they have the lowest income and therefore they rarely have life insurance. The second group, the Loyalists, have relatively low income, rarely switch insurance company and have a very balanced product focus between life and non-life. Additionally there are the Risk averse who are highly insured in terms of life products and care for a relationship and trust when buying the insurance products. The fourth group is composed by the Rationales, they buy only the necessary insurance products and they dedicate time in gathering information before purchasing. Lastly, the Value creators are the most affluent ones and have willingness to pay high premium. Also, they care about personal contact, for quality products and for convenience. It is in the last segment that the group suggested to invest as an insurance company.

After the creation and analysis of the described segments, the group was able to make further recommendations for the insurance companies. In fact, the whole project can be considered as a recommendation, as any insurance company can use the behavioral analysis performed for their own benefit and for tackling their clients better. However, as previously stated, the group recommended that the most interesting and profitable segment that an insurance company should pursue is the Value creators segment.

The recommended approach to target the Value creators was by making sales, marketing and product management strategies. The three strategies suggested covered aspects such as how to look for these clients, which products should be sold, where the products should be marketed, who was going to sell the products, among others. Further details about the strategies can be seen in **Annex IV**. Finally the group elaborated a value proposition and an operating model, so that it could be further implemented by insurance companies.

The value proposition is an important aspect to construct, as it helps insurance companies to gain trust from the clients. It acts as a promise of value; therefore every

company should have one targeted to its specific clients. The suggested value proposition consisted in selling a wide product spectrum aiming at full coverage to the client. Furthermore, the insurer provides a unique service which is personalized through highly qualified agents who need to be fully mobile. Lastly, the promotion is made through a professionally friendly tone, in order to convey a trustworthy image.

From the value proposition, an operating model was suggested, which is also necessary for companies at this stage. The operating model explains how to reach the value proposition, namely how the insurance companies would impress the targeted segment and how they would keep these clients loyal to them. This would be made through the creation of premium agents called advisors, who would act as a generalist in insurance issues, which means that the advisors dominate every product of the insurance company. These advisors would be the single point of contact to their clients and they would act as life companions regarding insurance issues. Further aspects on the value proposition and the operating model can be reached in **Annex V**.

### **Main Limitations**

Despite the importance of the three strategies and the two concepts, by going through the recommendation, insurance companies would not be able to implement the new strategy. The recommendations did not elaborate on a way how insurance companies could apply them, thus they are just a guideline for the companies.

Therefore, the main limitation is that there is no clear recommendation on how an insurance company would be able to target this specific segment. It is necessary that insurance companies know what actions are needed to implement the strategy, who will carry these changes, when these changes will take place, what resources are needed and how these changes will be communicated, among other aspects that an action plan can define. Hence, what is missing in the final recommendation is an action plan that helps insurance companies to know how to perform step by step in order to reach the segment of the Value creators. For creating the action plan, both the value proposition and the operating model are important, however they are not sufficient.

### **New Approach**

The new approach to the previously performed analysis will be to define a clear action plan, to enable insurance companies to achieve the proposed goals. This new approach does not state that the recommendations made during the business project are incorrect;

it is just defining them in further detail and finding an action plan to make sure that insurance companies are able to implement the given recommendations.

There are several benefits for a company to use planning and action plans. According to Mintzberg (1994) there are three reasons that show the importance of planning. First, planning helps to coordinate activities and persons, it keeps everyone updated and knowing what will come next. By coordinating everyone at the same time, a company ensures that everyone has the same knowledge and is working on the same page.

The second reason is that planning ensures that the future is taken care of. When a person or a company plans, it can prepare for the inevitable, preempt the undesirable and control what is controllable.

Lastly, planning allows a company to act rationally. When a company plans it means that the problem, the future or a certain situation, were already talked about. Therefore, everything is already formalized and there is no need of making decisions under pressure.

Furthermore, before applying the action plan to the insurance companies it is necessary to make a brief description of what it is and how it can be implemented. An action plan is a way that ensures that an organization's vision is made concrete. It consists in a number of actions and steps that an organization needs to do in order to achieve the goals. Each action should include five aspects and answer the following questions: what actions will occur, who will carry out the actions, by when these actions will take place and for how long, what resources are needed, and who should know what is to be done (Community Tool Box, 2014). By answering these questions the proposed action will be explained and solved in detail so that it becomes easier for companies to implement it.

In order to apply the concept of action plan to the insurance specific case I suggest three actions that need to be implemented by the insurance companies in order to tackle the Value creators. The first action is to adapt the portfolio, the second is to create special agents (advisors), and the third step is to perform luxury cross selling (refer to **Annex VI**). For all these three actions five steps will be considered, namely the ones mentioned above. The proposed plan will add a new product line, namely the “Value creator’s product” to the current strategy of the insurance company.

The first step of the action plan is the portfolio adaptation which consists of adapting the current insurance products to the needs of the Value creators. In order to do so, a specialized team should be formed in the sales/marketing department of the company that works in parallel to other product teams, refer to **Annex VII** for clarification. As stated before, these clients look for quality above anything and they do not perform price comparisons, therefore the pricelist might also be adjusted. Additionally, Value creators are fully covered, therefore the insurance companies need to create bundles of products with life and non-life products aiming at full coverage. For instance, insurance companies may want to revise some prices of the products that they are going to offer to this segment. Also, by making bundles of products, the price of each individual product is hidden; therefore it is easier to make them slightly more expensive.

Moreover, the person responsible for carrying out this change should be the head of the insurance company or someone with high influence in the company. This specialized team should be focused only in this type of clients, and the previously performed analysis on their behavior and their psychometric profile should be taken into account. In order for the team to be able to support these clients, they need to be insurance generalists, which means that they need to have an overall knowledge about each product type and cannot focus exclusively on neither life, motor or property.

Furthermore these changes should occur in the short term; as soon as possible in order to start to serve this segment in a more tailor made way. The time period considered to implement the changes in the portfolio should be about six months and from then on, the team should keep adapting the portfolio in accordance to the clients' needs. This implementation is a short term one, as insurance companies are already prepared for some of these clients because they might have some on their client base.

Lastly, this change should be communicated throughout the whole company, as an important strategic development. It would also somehow reduce the impact in internal dynamics and agency costs, as other teams will no longer serve the Value creators. It is important that other teams are aware that there will be a specialized team for targeting these clients. Additionally, the marketing team should reinforce the idea that the company has a special offer for the Value creators. This message should be conveyed in a professionally friendly tone, emphasizing quality and avoid mentioning the price. The Value creators need to feel empathy with the insurance company that is going to serve them: they need to feel that they are special.



The second step of the action plan is the creation of the special agents, namely the advisors. Their task is to be the single point of contact for the clients; they need to be the people in which the clients can trust about insurance issues. Additionally, they need to be available for every insurance situation that the client faces. These advisors need to be recruited and trained according to their functions. The human resources team of the insurance company will undertake this step; in case they do not have a human resources team in the company, this action will be outsourced. Also, in the recruitment process one person of the team that tackles this segment and one sales person should be included in order to make sure that the selected advisors have not only the profile for selling the products to the clients but also the skills to fit into the company.

This recruitment process takes some time; therefore it should start immediately. Recruitment processes in general take up to six months, thus this should be the target for completing this step of the action plan.

In order to fully complete the recruitment process several efforts need to be done inside the company. Given the fact that the process will be an individual recruitment, it will consume some time of the human resources team as well as capital. The insurance company needs to be aware of the necessary training that these advisors need.

Lastly, this action should be communicated internally and externally. The human resources team needs to know how to train and perform the interviews to the advisors and the outside world needs to be informed that a recruitment process is going on, in order to have several candidates for the position. Additionally, it should be mentioned that the candidates need to have a set of characteristics that are necessary for the job. Namely, they need to have a university degree or above, previous experience in sales, speak English or other languages, have a driver's license and be 35 years or above. The need for these skills is because the advisors will face powerful clients and they need to cause an impression to them, they need to be prepared for every demand that the client has.

The third and last step of the action plan is the luxury cross-selling. The idea behind is to sell insurance products through high end shops or car salons. For instance, if a client is buying a car or an expensive suit, the salesperson would sell the insurance with it directly, under the agreement of receiving a commission from the insurance company. Through this method the insurance company could catch more Value creators and target them immediately. Afterwards, the salesperson informs the new client that an agent will

contact him to take care of the insurance and there is where an advisor takes care of the new client.

To perform this step the marketing team is crucial, especially a person that is aware of luxury market. The team needs to find out where these clients go most and in what occasions they are willing to buy insurance for the product they are buying.

This step of the action plan is crucial for finding new clients for the company. Hence, this is an action that should be implemented as soon as possible, so that new clients are caught to the new strategy of the company. Since this is a marketing strategy and new clients are always welcome, the action should be performed in the long run without limited time frame.

As for the communication of the luxury cross selling, it should be announced around the whole company in order for everyone to know where the clients are being found. However, this should not be advertised outside, it should be a moderate marketing strategy. Value creators like trustworthy relationships and they do not want to have their names going around. Therefore, this strategy should only be implemented in the necessary places, namely in the high end stores or in the high end car salons, so as to only target the desired clients.

In conclusion, this action plan completes the value proposition and the operating model so that insurance companies can go step by step and understand how to implement the changes. In fact it creates a new product line to the insurance companies that enables them to tackle the Value creators in a better way.

By applying this plan it will enable insurance companies to make the changes more easily, given the fact that it has an implementation process and it regards several facts. An action plan works both as a recommendation and as an implementation plan, thus it becomes useful for companies to follow it.

## Reflection

The business project was a very valuable experience, as it enabled me to perceive my strengths and weaknesses not only in personal terms but also in professional ones.

## Previous Knowledge Applied

The business project with Roland Berger had several challenges that I faced when I was doing the Masters in Finance as well. The project was not directly correlated with any financial skill, however general key skills as critical thinking, reading numbers, strategic thinking and thinking out of the box, were extremely useful.

During my Masters one skill that I developed during the whole year was to be able to read the numbers quickly and understand what they were saying, especially in the course of *Valuation* and *Applied Corporate Finance*. Given the fact that I specialized myself in the market sizing part of the project, this was a very beneficial skill for me that I could make use of. I realize that I was able to work fast with the numbers and interpret them correctly.

Furthermore, in the Masters it was crucial that we learned how to work in group and under pressure. Once again, this was a very valuable experience, since I faced this situation several times. Occasionally I felt that the group was demoralizing when we were not doing much progress because we were stuck with a subject for quite some time. In these occasions I always tried to pull up the morale, since I had experienced this before, I knew that we would find a way to get through this issue successfully; we just needed to focus and to keep our heads up. In this sense I felt that the Masters was very helpful for me.

## New Knowledge Applied

On the other hand, new techniques and issues were introduced for me by this project. For instance, doing a market research through a survey and cleaning up the data. Given the fact that I came from a Masters in Finance, I did not perform many market research or surveys. For starting the business project we needed to survey the insurance clients. I realized that performing the survey was quite exhausting and time consuming. Moreover, when we got our answers we realized that half of them were incomplete or wrongly filled in. The cleaning of the data was a tough part of our business project, regarding the fact that it was my first time performing it.

I can say however, that it was a valuable experience for me, since I was able, with the team, to identify the crucial information and understand how we could pursue with our data.

### **Personal Experience**

Regarding my involvement to the business project I feel that I can take a step back and think about my strengths and weaknesses and how they influenced my contribution.

Concerning my strengths, I believe I was extremely motivated and engaged during the whole project and I think that I transmitted it to my group. Sometimes they did not have the time or the willingness to commit to the deadlines and I felt I was able to push them in the right direction for doing so. One of my strengths are my communication skills, which I feel were correctly applied in several occasions.

On the other hand, since I came later to the group, I was not able to give my insights from the beginning. There was one group leader previously defined that was responsible for communicating with the company's project leader. In some occasions I felt that I had the availability for being the communication bridge and I took the lead when my colleague was not available. I believe that this was one of my weaknesses during the business project; I did not handle the situation of not being the leader so well.

Therefore, this will be my plan to develop and improve, as I need to understand that there are other persons with the necessary skills to lead and I need to know how to deal with it in a better way.

### **Benefit of Hindsight**

To conclude, what I thought added the most value was the cultural diversity and the different backgrounds of the team members. The team was composed by Portuguese, Hungarians and Chinese members. This was very fruitful in order to gather different insights and methodologies to approach the challenge of the project. On the other hand, we could have made something different - I truly believe we would benefit from more internal time with each other. It would be good so that we could discuss more freely, however it was quite difficult to conciliate the times of everyone more than once a week, which was when we had the meeting with the company.

All in all, I am sure that the project was a valuable experience for my personal and professional development.

## Appendix

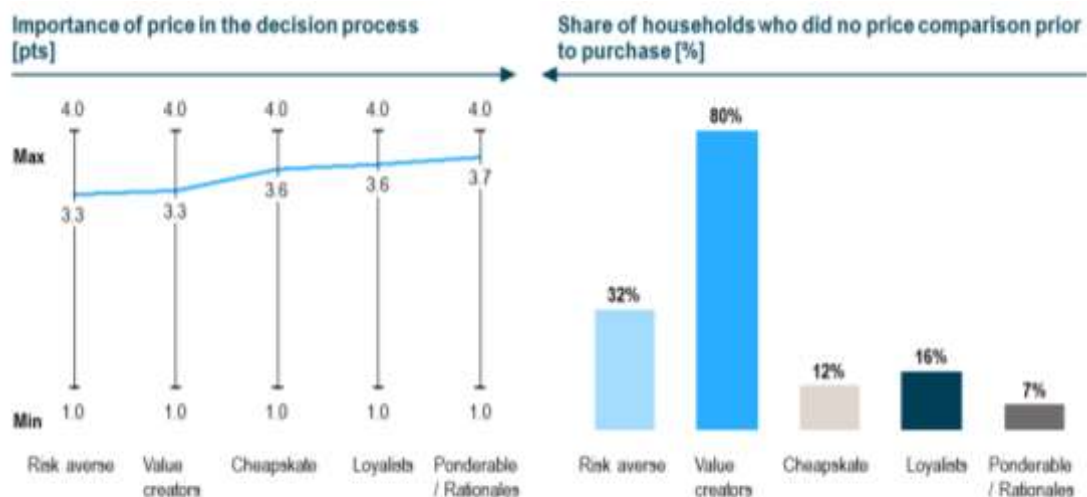
### Annex I - Overview of the Value creators Segment

#### Overview of key descriptors of the segment

<b>PRODUCT</b>	<ul style="list-style-type: none"> <li>&gt; 14 insurance products on average per household</li> <li>&gt; 83% is on Life products, esp. investment life insurance</li> <li>&gt; Cover most of their non-life risks</li> <li>&gt; Go for big ticket quality coverage insurance</li> </ul>
<b>PRICE</b>	<ul style="list-style-type: none"> <li>&gt; Do not do price comparison prior the purchase</li> <li>&gt; During the policy lifetime, they have only rough idea on how much they pay</li> </ul>
<b>PLACE</b>	<ul style="list-style-type: none"> <li>&gt; Mostly agents for all phases of the client journey</li> <li>&gt; Convenience is important – i.e. flexibility of the agents from time and meeting point perspectives</li> </ul>
<b>PROMOTION</b>	<ul style="list-style-type: none"> <li>&gt; Trustworthiness and relationship are key value for the segment as well as communication</li> </ul>
<b>PEOPLE</b>	<ul style="list-style-type: none"> <li>&gt; Look for information and advice</li> <li>&gt; Trustful relationship seeker</li> </ul>

Source: Market Survey Client Behavior in the Hungarian Insurance 2014; CEMS; Roland Berger

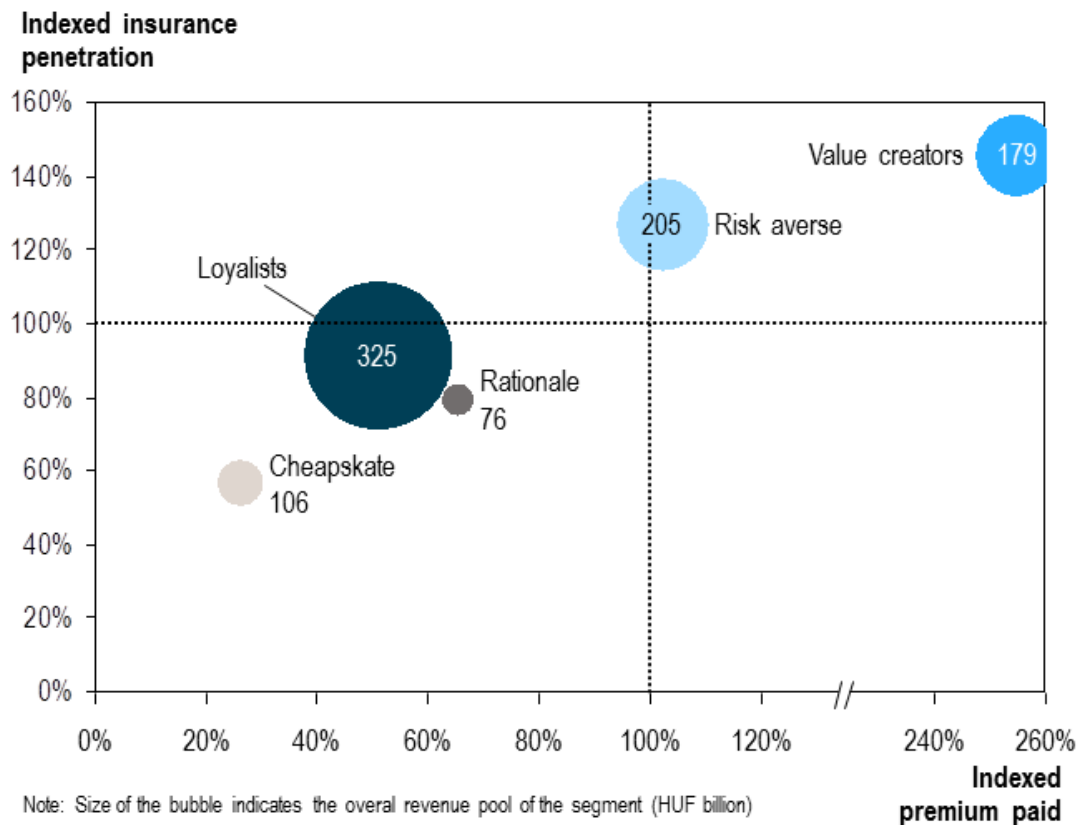
### Annex II - Price Comparison



Source: Market Survey Client Behavior in the Hungarian Insurance 2014; CEMS; Roland Berger

140811\_0303\_CBE\_Final.pptx | 37

### Annex III - Segment Attractiveness Matrix



### Annex IV – Sales-, Marketing-, and Product management Strategies

#### SALES

- > Search out proactively for customers
- > Advisor as "life companion" for any insurance issue
- > Quality before everything
- > Advisors are paid based on performance

#### MARKETING

- > Comprehensive package description
- > Taylor made solution to all insurance issues
- > High end channels (newspapers)
- > Luxury cross selling

#### PRODUCT MANAGEMENT

- > Bundling of products
- > Design an all inclusive service
- > 24/7 service provided by Advisors

**Annex V – Value Proposition and Operating Model****Cornerstones of the value proposition**

- > Sell a wide product spectrum, aiming for providing full coverage to the client (all risks)
- > Provide a unique service by offering super personalized products and services
- > Highly qualified agents with natural rapport to affluent
- > Full mobility of the agents
- > Promote through a professionally friendly tone
- > Convey a convenient and trustworthy image
- > Use car salon and high end shops (Starbucks, Opera, etc.) as selling place

**Operating model****Operating model**

- > Premium agent serving as single point of contact to the client, act as a personal advisors with high flexibility and empowerment from the insures side

**Agent**

- > Premium agent, acting as generalist (single point of contact)
- > Advisors are subject to an individual recruitment process
- > University degree or above is required
- > Knowledge of English or more
- > Driving license
- > Car or Vespa (High mobility of advisors)
- > Above 35 years and attractive
- > Formal dress code (Perfume, Swiss watch, branded tie and shoes)

**Processes**

- > One client view in the CRM systems
- > No electronic IT gadgets, only piece of paper and a tablet as backup
- > Underwriting SLA within 24 hours

Source: Market Survey Client Behavior in the Hungarian Insurance 2014; CEMS; Roland Berger

140511\_0933\_CBil\_Final.pptx

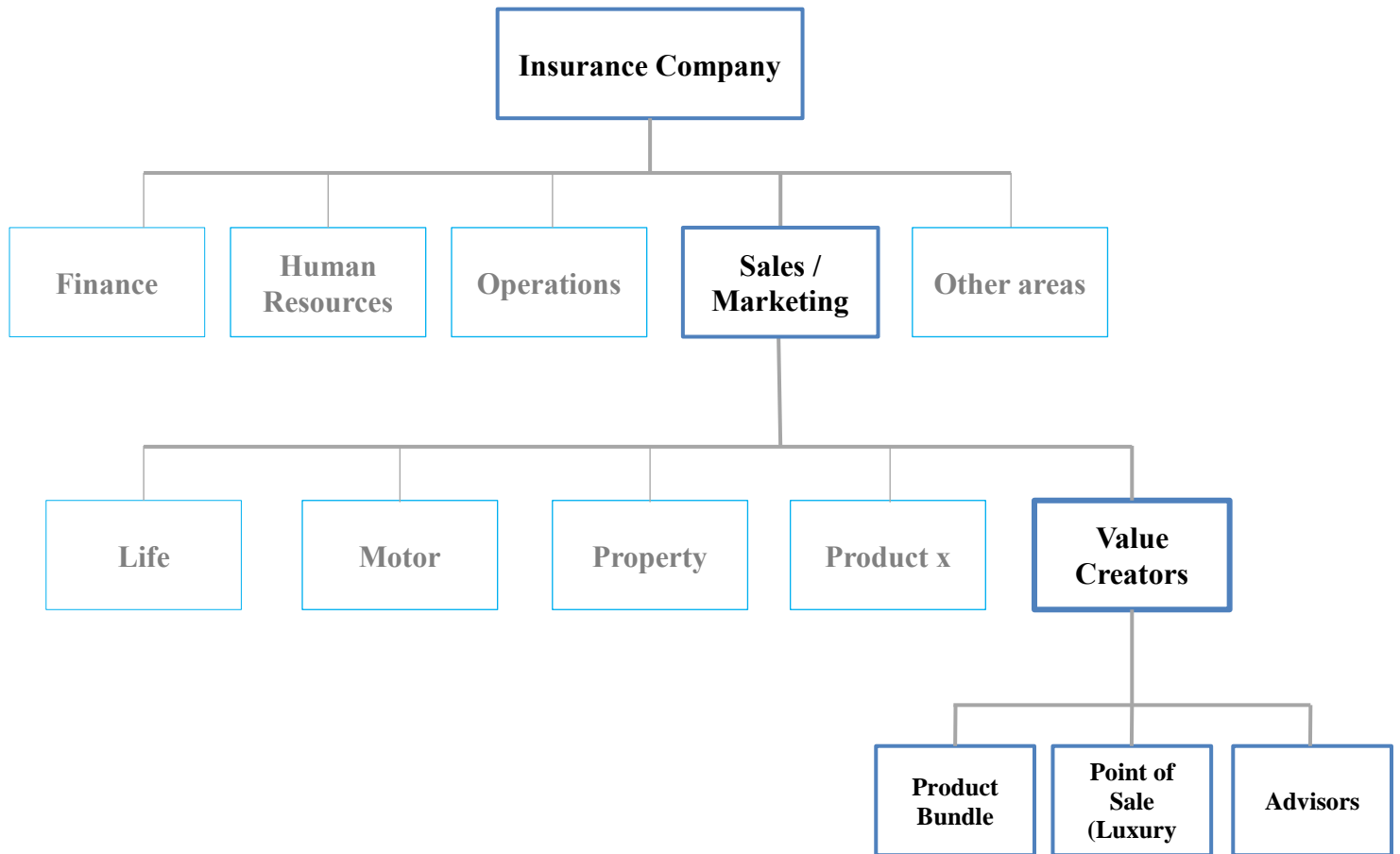
**Annex VI – Action Plan**

	What? Action	Who will carry it out?	When?	Resources	Communication
Portfolio adaptation	<ul style="list-style-type: none"> <li>• Need to adapt the insurance products, their quality and price to the needs of the Value creators</li> <li>• Create bundles of products with life and non-life</li> </ul>	<ul style="list-style-type: none"> <li>• There should be a specialized team for targeting the segment and selling only to these clients</li> </ul>	<ul style="list-style-type: none"> <li>• Should be implemented as soon as possible, given the fact that the Value creators are identified</li> <li>• Takes some time to adapt the portfolio, 6-8 months</li> <li>• Keep doing changes and adaptation in the future</li> </ul>	<ul style="list-style-type: none"> <li>• Insurance generalists because all types of insurances will be needed</li> <li>• In depth analysis of the clients behavior</li> <li>• Marketing department for communication the new products</li> </ul>	<ul style="list-style-type: none"> <li>• The whole insurance company should be aware of the changes</li> <li>• The marketing department</li> </ul>
Create the “advisors”	<ul style="list-style-type: none"> <li>• Recruit the specialized advisors</li> <li>• Find them</li> </ul>	<ul style="list-style-type: none"> <li>• The human resources department</li> <li>• Also, one agent of the “value creators” team</li> <li>• A sales person</li> </ul>	<ul style="list-style-type: none"> <li>• Start now</li> <li>• Recruitment Process: 6 months</li> </ul>	<ul style="list-style-type: none"> <li>• Big efforts need to be done by the recruitment team</li> <li>• It will need time and training as they need to know what they are looking for</li> <li>• Monetary efforts</li> </ul>	<ul style="list-style-type: none"> <li>• It should be broadly communicated in order to have several candidates</li> <li>• Internal communication only necessary to HR team</li> </ul>
Luxury cross selling	<ul style="list-style-type: none"> <li>• In order to catch the Value creators, sell insurance products in high end shops or car salons</li> </ul>	<ul style="list-style-type: none"> <li>• Marketing team</li> <li>• Luxury marketing specialists</li> </ul>	<ul style="list-style-type: none"> <li>• Starting now</li> <li>• It is the first step for tackling this segment</li> <li>• Keep doing it long run</li> </ul>	<ul style="list-style-type: none"> <li>• Marketing team</li> </ul>	<ul style="list-style-type: none"> <li>• Should be only market in the luxury stores</li> <li>• Internal team should know</li> <li>• Not involve too much audience</li> </ul>





**Annex VII – New Structure**



## References

Business Project Roland Berger 2014, *Who are the Clients of insurance companies in Hungary*. Hungary: CUB.

Community Tool Box. (2014). *Developing an Action Plan*. Retrieved from the website: <http://ctb.ku.edu/en/table-of-contents/structure/strategic-planning/develop-action-plans/main>

Mintzberg, H. (1994). *The Rise and Fall of Strategic Planning* (pp. 15-21). New York, NY: The Free Press.

Roland Berger Official Website. (2014). *Official Website Information*. Retrieved from the Roland Berger Hungary official website: <http://www.rolandberger.hu>